

**LEARNING GATE
COMMUNITY SCHOOL, INC.**

A Charter School and Component Unit of the
District School Board of Hillsborough County, Florida

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2010

King & Walker, CPAs, PL

Certified Public Accountants

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LEARNING GATE COMMUNITY SCHOOL, INC.

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KING & WALKER, CPAs, PL
Certified Public Accountants

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**Independent Auditor's Report on Basic Financial Statements and
Required Supplementary Information**

To the Board of Directors Learning Gate Community School, Inc.,
a Charter School and Component Unit of the
District School Board of Hillsborough County, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Learning Gate Community School, Inc. ("School"), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the fiscal year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Learning Gate Community School, Inc. as of June 30, 2010, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 13, 2010, on our consideration of the Learning Gate Community School, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines included under the heading ***Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Respectfully submitted,

King & Walker, CPAs

August 13, 2010
Lutz, Florida

LEARNING GATE COMMUNITY SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Learning Gate Community School, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2010.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 22.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2010, the School's revenues exceeded expenses as shown on the School's statement of activities by \$88,270.
- As shown on the statement of net assets, the School reported an unrestricted Net Asset balance of \$637,280.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates three funds; a General Fund, a Debt Service Fund, and a Capital Projects Fund. For reporting purposes, the General Fund and Debt Service Fund are considered major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2009, and June 30, 2010:

	Net Assets, End of Year		
	<u>Governmental Activities</u>		
	<u>6-30-09</u>	<u>6-30-10</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 2,015,389	\$ 2,090,609	\$ 75,220
Capital Assets, net	6,184,658	6,123,425	(61,233)
Total Assets	<u>8,200,047</u>	<u>8,214,034</u>	<u>13,987</u>
LIABILITIES			
Current Liabilities	82,357	93,074	10,717
Long Term Liabilities	7,395,000	7,310,000	(85,000)
Total Liabilities	<u>7,477,357</u>	<u>7,403,074</u>	<u>(74,283)</u>
NET ASSETS			
Invested in Capital Assets, net of Debt	(1,210,342)	(1,186,574)	23,768
Restricted for Debt Service	1,337,732	1,360,254	22,522
Unrestricted	595,300	637,280	41,980
Total Net Assets	<u>722,690</u>	<u>810,960</u>	<u>88,270</u>
Total Liabilities and Net Assets	<u>\$ 8,200,047</u>	<u>\$ 8,214,034</u>	<u>\$ 13,987</u>

Current and other assets increased due to an increase in cash at year-end due to revenues exceeding expenditures in the current fiscal year. Capital assets, net, decreased due to depreciation expenses exceeding capital asset expenditures. Current and other liabilities increased due to the increase of accounts payable and accrued salaries, while long term liabilities decreased as a result of planned long term debt repayments.

The key elements of the changes in the School's net assets for the fiscal year ended June 30, 2009, and June 30, 2010, are as follows:

	Operating Results for the Year		
	Governmental Activities		
	6-30-09	6-30-10	Increase (Decrease)
Revenues:			
State and Local sources	\$ 3,635,513	\$ 3,809,855	\$ 174,342
Grants, Contributions and Other	523,755	316,233	(207,522)
Total Revenues	4,159,268	4,126,088	(33,180)
Expenses:			
Instruction	2,157,271	2,171,522	14,251
Instructional Media	-	-	-
Board of Education	31,248	24,133	(7,115)
General Administration	152,817	155,048	2,231
School Administration	541,751	526,670	(15,081)
Facilities Acq. & Construction	-	-	-
Fiscal Services	48,978	66,276	17,298
Food Services	65,960	47,436	(18,524)
Operation of Plant	330,394	301,688	(28,706)
Interest on Long Term Debt	471,500	464,700	(6,800)
Amortization of Bond Issuance Costs	19,318	19,318	-
Unallocated Depreciation	238,355	261,027	22,672
Total Expenses	4,057,592	4,037,818	(19,774)
Increase/(Decrease) in Net Assets	\$ 101,676	\$ 88,270	\$ (13,406)

The largest revenue source for the School is the State of Florida (85 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School. A slight enrollment increase was the primary factors for the increased State revenue.

Expenses increased in Instruction primarily due to an increase in instructional staffing and increased depreciation expense upon completion of building improvements. Decreases in the other expense categories increased between fiscal years due to close monitoring of expenditure practices.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$1,475,939.

BONDED DEBT

On August 30, 2007, the School issued revenue bonds in the amount of \$7,475,000 in order to purchase the previously leased educational facility and to fund construction of three new classroom buildings. The bonds will be repaid incrementally over the next 27 years.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$6,123,425 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, fixtures, and equipment and leasehold improvements. Additional information regarding the School's capital assets can be found in note 3 to the financial statements.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2010, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the School revised its general fund budget several times. For the fiscal year ended June 30, 2010, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule on page 23 for additional information.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Learning Gate Community School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Learning Gate Community School, Inc., 16215 Hanna Road, Lutz, Florida 33549.

LEARNING GATE COMMUNITY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 203,284
Restricted Investments	1,360,254
Deferred Charges	521,596
Other Current Assets	5,475
Total Current Assets	<u>2,090,609</u>
Capital Assets:	
Land	572,000
Furniture, Fixtures, and Equipment, Net	23,829
Buildings, Net	5,424,920
Leasehold Improvements, Net	102,676
Total Capital Assets, Net	<u>6,123,425</u>
TOTAL ASSETS	<u><u>\$ 8,214,034</u></u>
LIABILITIES	
Accounts Payable	\$ 15,340
Salary and Wages Payable	77,734
Long-Term Liabilities:	
Due within one year	90,000
Due after one year	7,220,000
TOTAL LIABILITIES	<u>7,403,074</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(1,186,574)
Restricted for Debt Service	1,360,254
Unrestricted	637,280
Total Net Assets	<u>810,960</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,214,034</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

LEARNING GATE COMMUNITY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 2,171,522	\$ -	\$ -	\$ -	\$ (2,171,522)	\$ (2,171,522)
Board of Education	24,133				(24,133)	(24,133)
General Administration	155,048				(155,048)	(155,048)
School Administration	526,670				(526,670)	(526,670)
Fiscal Services	66,276				(66,276)	(66,276)
Food Services	47,436	50,610			3,174	3,174
Operation of Plant	301,688				(301,688)	(301,688)
Interest on Long Term Debt	464,700				(464,700)	(464,700)
Amortization of Bond Issuance Costs	19,318				(19,318)	(19,318)
Unallocated Depreciation	261,027				(261,027)	(261,027)
Total Governmental Activities	<u>\$ 4,037,818</u>	<u>\$ 50,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,987,208)</u>	<u>(3,987,208)</u>
General Revenues:						
State and Local sources					3,927,756	3,927,756
Grants and Contributions not restricted to specific program					147,722	147,722
					<u>4,075,478</u>	<u>4,075,478</u>
Change in Net Assets					88,270	88,270
Net Assets - July 1, 2009					722,690	722,690
Net Assets - June 30, 2010					<u>\$ 810,960</u>	<u>\$ 810,960</u>

The accompanying notes to the financial statements are an integral part of this statement.

LEARNING GATE COMMUNITY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash & Cash Equivalents	\$ 203,284	\$ -	\$ -	\$ 203,284
Restricted Investments		1,360,254		1,360,254
Other Current Assets	<u>5,475</u>			<u>5,475</u>
Total Assets	<u>\$ 208,759</u>	<u>\$ 1,360,254</u>	<u>\$ -</u>	<u>\$ 1,569,013</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable	\$ 15,340	\$ -	\$ -	\$ 15,340
Salary and Wages Payable	<u>77,734</u>			<u>77,734</u>
Total Liabilities	<u>93,074</u>	<u>-</u>	<u>-</u>	<u>93,074</u>
Fund Balances:				
Reserved		1,360,254		1,360,254
Undesignated	<u>115,685</u>			<u>115,685</u>
Total Fund Balances	<u>115,685</u>	<u>1,360,254</u>	<u>-</u>	<u>1,475,939</u>
Total Liabilities and Fund Balance	<u>\$ 208,759</u>	<u>\$ 1,360,254</u>	<u>\$ -</u>	<u>\$ 1,569,013</u>

The accompanying notes to the financial statements are an integral part of this statement.

**LEARNING GATE COMMUNITY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2010

Total Fund Balances - Governmental Funds	\$	1,475,939
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		6,123,425
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds Payable	(7,310,000)	
Deferred Charges	<u>521,596</u>	<u>(6,788,404)</u>

Total Net Assets - Governmental Activities	\$	<u><u>810,960</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

LEARNING GATE COMMUNITY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2010

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental:				
Federal Through Local	\$ 27,722	\$ -	\$ -	\$ 27,722
State and Local	3,527,872		281,983	3,809,855
Contributions and Other	287,545	967		288,512
Total Revenues	<u>3,843,139</u>	<u>967</u>	<u>281,983</u>	<u>4,126,089</u>
Expenditures				
Current - Education:				
Instruction	\$ 2,171,522	\$ -	\$ -	\$ 2,171,522
Board of Education	24,133			24,133
General Administration	155,048			155,048
School Administration	526,670			526,670
Fiscal Services	66,276			66,276
Food Services	47,436			47,436
Operation of Plant	186,503		115,185	301,688
Fixed Capital Outlay:				
Facilities Acquisition & Construction			166,798	166,798
Other Capital Outlay	32,998			32,998
Debt Service:				
Principal		85,000		85,000
Interest and Fiscal Charges		464,700		464,700
Total Expenditures	<u>3,210,586</u>	<u>549,700</u>	<u>281,983</u>	<u>4,042,269</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>632,553</u>	<u>(548,733)</u>	<u>-</u>	<u>83,820</u>
Other Financing Sources (Uses):				
Transfers In		571,256		571,256
Transfers Out	(571,256)			(571,256)
Total Other Financing Sources (Uses)	<u>(571,256)</u>	<u>571,256</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	61,297	22,523	-	83,820
Fund Balances, July 1, 2009	<u>54,386</u>	<u>1,337,731</u>	<u>-</u>	<u>1,392,117</u>
Fund Balances, June 30, 2010	<u>\$ 115,683</u>	<u>\$ 1,360,254</u>	<u>\$ -</u>	<u>\$ 1,475,937</u>

The accompanying notes to financial statements are an integral part of this statement.

**LEARNING GATE COMMUNITY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
*For the Fiscal Year Ended June 30, 2010***

Net Change in Fund Balances - Governmental Funds	\$	83,820
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period.</p>		
		(61,232)
<p>Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.</p>		
		85,000
<p>Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds:</p>		
Amortization of bond issuance costs		(19,318)
		88,270
Change in Net Assets - Governmental Activities	\$	88,270

The accompanying notes to the financial statements are an integral part of this statement.

LEARNING GATE COMMUNITY SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ Reporting Entity

The Learning Gate Community School, Inc. ("School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Hillsborough County, Florida, ("District"). The current charter has been renewed and is effective until June 30, 2025, and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

➤ Basis of Presentation

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

LEARNING GATE COMMUNITY SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service Fund – to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs.

All other governmental funds are non-major and are presented in the aggregate.

➤ Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified

LEARNING GATE COMMUNITY SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **Restricted Investments**

Certain proceeds of the School's revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net assets and the balance sheet-governmental funds because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 - 5 years
Buildings	25 years
Leasehold Improvements	10 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida

LEARNING GATE COMMUNITY SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2010, the School reported 550 unweighted FTE and 566.613 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding

LEARNING GATE COMMUNITY SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

2. RESTRICTED INVESTMENTS

The School's investments, restricted to their use and type by bond covenants, were as follows:

<u>Type</u>	<u>Fair Value</u>
Goldman Sachs Treasury Obligations - Mutual Fund	<u>\$1,360,254</u>

This mutual fund solely invests in short-term U.S. Treasury obligations which includes U.S. Treasury bonds, notes and bills which are backed by the full faith and credit of the U.S. government. This fund is not rated by credit rating agencies.

LEARNING GATE COMMUNITY SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 572,000	\$ -	\$ -	\$ 572,000
Construction in Progress	304,970	-	(304,970)	-
Total Capital Assets Not Being Depreciated	<u>876,970</u>	<u>-</u>	<u>(304,970)</u>	<u>572,000</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	139,557	32,996	-	172,553
Buildings	5,520,978	471,768	-	5,992,746
Leasehold Improvements	145,858	-	-	145,858
Total Capital Assets Being Depreciated	<u>5,806,393</u>	<u>504,764</u>	<u>-</u>	<u>6,311,157</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(139,557)	(9,169)	-	(148,726)
Buildings	(331,258)	(236,565)	-	(567,823)
Leasehold Improvements	(27,890)	(15,293)	-	(43,183)
Total Accumulated Depreciation	<u>(498,705)</u>	<u>(261,027)</u>	<u>-</u>	<u>(759,732)</u>
Total Capital Assets Being Depreciated, Net	<u>5,307,688</u>	<u>243,737</u>	<u>-</u>	<u>5,551,425</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,184,658</u>	<u>\$ 243,737</u>	<u>\$ (304,970)</u>	<u>\$ 6,123,425</u>

Unallocated depreciation expense for the 2009-10 fiscal year totaled \$261,027.

4. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Annual Maturity To</u>
Revenue Bonds:			
Series 2007A	\$ 6,555,000	6.0 percent	2037
Series 2007B	<u>755,000</u>	8.5 percent	2017
Total Bonds Payable	<u>\$ 7,310,000</u>		

Revenue Bonds Series 2007A and 2007B – On August 30, 2007, the School issued tax-exempt revenue bonds (Series 2007A) for \$6,555,000 and taxable revenue bonds (Series 2007B) for \$920,000 secured by a mortgage on the School's property and buildings. The bonds were issued to purchase land and buildings of the existing leased School facility as well as to fund the construction of additional classroom buildings.

LEARNING GATE COMMUNITY SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS

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Series 2007A bonds are term bonds paying interest semi-annually at a rate of 6% with maturities starting 2/15/2017, and ending 2/15/2037. Series 2007B bonds are term bonds paying interest semi-annually at a rate of 8.5% with maturities starting 2/15/2009, and ending 2/15/2017.

As required by the bond resolution, the District has established a sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30:	Total	Principal	Interest
2011	547,475	90,000	457,475
2012	549,825	100,000	449,825
2013	551,325	110,000	441,325
2014	546,975	115,000	431,975
2015	547,200	125,000	422,200
2016-2020	2,748,250	800,000	1,948,250
2021-2025	2,753,900	1,085,000	1,668,900
2026-2030	2,747,600	1,445,000	1,302,600
2031-2035	4,692,700	1,940,000	2,752,700
2036-2037	3,152,400	1,500,000	1,652,400
Total	<u>18,837,650</u>	<u>7,310,000</u>	<u>11,527,650</u>

5. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Balance 7/1/2009	Additions	Deductions	Balance 6/30/2010	Due in One Year
Governmental Activities:					
Bonds Payable	<u>\$ 7,395,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 7,310,000</u>	<u>\$ 90,000</u>
Total Governmental Activities	<u>\$ 7,395,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 7,310,000</u>	<u>\$ 90,000</u>

LEARNING GATE COMMUNITY SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

6. SCHEDULE OF FEDERAL, STATE & LOCAL REVENUE SOURCES

The following is a schedule of the School's State and local revenue for the 2009-10 fiscal year:

<u>Source</u>	<u>Amount</u>
<i>FEDERAL THROUGH LOCAL:</i>	
IDEA - ARRA grant	\$ 27,722
Total Federal through Local	<u>\$ 27,722</u>
<i>STATE:</i>	
Florida Education Finance Program	\$ 2,267,832
Categorical Educational Programs:	
Class Size Reduction	615,402
Supplementary Academic Instruction	112,395
Instructional Materials	43,403
Lottery Allocation	1,515
Charter School Capital Outlay	281,983
ESE Guaranteed Allocation	129,939
School Recognition	39,479
Florida Teachers' Lead Program	6,217
Miscellaneous	23,915
Total State Revenue	<u>\$ 3,522,080</u>
<i>LOCAL:</i>	
Discretionary Millage	\$ 237,165
Student Lunches	50,610
Total Local Revenue	<u>287,775</u>
Total State and Local Revenue	<u>\$ 3,809,855</u>

As provided in the charter school contract and Florida Department of Education Rules, the District has charged the School an administrative fee on FEFP revenue for the first 250 FTE which totaled \$155,408, this fee is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds..

Accounting policies relating to certain State revenue sources are described in Note 1.

LEARNING GATE COMMUNITY SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

7. LEASE COMMITMENTS

The School leases computer and copier equipment under noncancelable operating leases. These leases contain varying renewal options and require the School to pay insurance and other costs. The following is a schedule by years of future minimum rental payments required under operating leases that have remaining noncancelable lease terms in excess of one year:

Fiscal Year Ending June 30:	Amount
2012	\$ 20,652
2013	5,163
Total Minimum Payments Required	<u>\$ 25,815</u>

8. RISK MANAGEMENT PROGRAMS

Workers' compensation and general liability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

9. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2010, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

10. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

LEARNING GATE COMMUNITY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Intergovernmental:				
Federal through Local	\$ -	\$ 27,722	\$ 27,722	\$ -
State and Local	3,255,379	3,527,872	3,527,872	-
Contributions and Other	270,000	287,545	287,545	-
Total Revenues	<u>3,525,379</u>	<u>3,843,139</u>	<u>3,843,139</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	2,033,649	2,171,522	2,171,522	-
Board of Education	12,500	24,133	24,133	-
General Administration	-	155,048	155,048	-
School Administration	585,600	526,670	526,670	-
Facilities Acquisition & Construction	500	-	-	-
Fiscal Services	42,000	66,276	66,276	-
Food Services	124,300	47,436	47,436	-
Operation of Plant	137,755	186,503	186,503	-
Fixed Capital Outlay:				
Other Capital Outlay	7,000	32,998	32,998	-
Total Expenditures	<u>2,943,304</u>	<u>3,210,586</u>	<u>3,210,586</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>582,075</u>	<u>632,553</u>	<u>632,553</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers Out	(582,000)	(571,256)	(571,256)	-
Total Other Financing Sources (Uses)	<u>(582,000)</u>	<u>(571,256)</u>	<u>(571,256)</u>	<u>-</u>
Net Change in Fund Balance	75	61,297	61,297	-
Fund Balance, July 1, 2009	54,386	54,386	54,386	-
Fund Balance, June 30, 2010	<u>\$ 54,461</u>	<u>\$ 115,683</u>	<u>\$ 115,683</u>	<u>\$ -</u>

See Independent Auditor's Report.

KING & WALKER, CPAs, PL
Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

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Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors Learning Gate Community School, Inc.,
a Charter School and Component Unit of the
District School Board of Hillsborough County, Florida

We have audited the basic financial statements of the Learning Gate Community School, Inc. ("School"), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the School's financial statements for the fiscal year ended June 30, 2010, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the School and its management, the District School Board of Hillsborough County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive style.

August 13, 2010
Lutz, Florida

KING & WALKER, CPAs, PL
Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road
Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors Learning Gate Community School, Inc.,
a Charter School and Component Unit of the
District School Board of Hillsborough County, Florida

We have audited the basic financial statements of the Learning Gate Community School, Inc. ("School"), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated August 13, 2010.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated August 13, 2010. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings.

The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes regarding financial emergency. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). The School has not met any of the conditions of the referenced statute and is not in a state of financial emergency.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The Rules of the Auditor General (Section 10.854(1)(e)3.), requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- Control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed no matters required to be disclosed by this Rule.

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is Learning Gate Community School, Inc.

This letter is intended for the information and use of the School and its management, the District School Board of Hillsborough County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

August 13, 2010
Lutz, Florida

LEARNING GATE COMMUNITY SCHOOL, INC.
A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

Year Ended June 30, 2010

The following is the School's response to the item in the Management Letter dated August 13, 2010, as required by Rule 10.857, Rules of the Auditor General:

No response required.